

PRESS STATEMENT OF THIRU O. PANNEERSELVAM,
HON'BLE CHIEF MINISTER OF TAMIL NADU ON THE
UNION BUDGET PRESENTED ON 1.2.2017

The Union Budget 2017-18 has been presented by the Union Finance Minister at a very crucial moment. There are many uncertainties surrounding the Indian economy. I commend the Union Finance Minister on the difficult balancing task that he has done and his focus on the broad themes of structural reforms and initiatives that have been put together in a very coherent statement. The emphasis has been eliminating waste – both in terms of use of resources and in terms of precious policy time, by being focused on the coherent set of targeted initiatives. In that sense, this Budget represents a significant forward movement from the previous Budgets presented by the Finance Minister.

We welcome the three important reforms in the Budget process – of advancing the date of presentation to February 1; merging the Railway budget with the General budget and most importantly of abolishing the plan and non-plan distinction. I am happy that the Union Finance Minister has heeded the repeated call of our Late Hon'ble Chief Minister Puratchi Thalaivi Amma who had strongly advocated doing away with the artificial and irrelevant distinction between Plan and Non Plan schemes in the Budget. The focus can now be on the functions that have to be performed and adequate funding for maintenance would also be ensured.

The emphasis on agriculture and enhancing farmers' income are welcome features of the Budget. While the Union Finance Minister spoke about the general revival of growth in the agricultural sector this year, he did not highlight the acute drought situation which has affected agriculture in the southern part of the country, in particular Tamil Nadu. A special package for drought affected farmers would have been a very welcome feature of the Budget.

The proposal to support computerisation and implementation of Core Banking Solutions for Primary Agricultural Cooperative Societies is a very welcome announcement. Since in Tamil Nadu all PACS have already

been provided with computers, I would request that the roll out of CBS in the State should be advanced and completed in the first year. While welcoming the enhanced agricultural credit target of Rs.10 lakh crores, I urge the Union Finance Minister to ensure that Commercial Banks in particular lend more against land and cultivation related documents and not as jewel loans, so that the availment of agriculture insurance is also simultaneously enhanced.

I welcome the announcement of Mission Antyodaya which is directed at lifting 1 crore families out of poverty. Such a focused approach to tackle poverty is what we have been attempting in Tamil Nadu. We also welcome the enhancement of allocations for the MGNREGA, Prime Ministers Gram Sadak Yojana and the National Rural Livelihood Mission. We expect that with this the Ministries in the Government of India would be able to ensure timely and adequate release of pending funds to the States, including Tamil Nadu.

In the area of Education, while we welcome initiatives like the Innovation Fund for Secondary Education which would give greater flexibility to State Governments to pursue strategies and implement schemes which are suitable and appropriate to local conditions, we are seriously concerned about the implications of proposals relating to the National Testing Agency to conduct nationwide entrance examinations. Tamil Nadu's stance on examinations like the National Eligibility and Entrance Test (NEET) for medical college admissions is well known. **I urge the Government of India to ensure that national level testing is not imposed or forced in States like Tamil Nadu which already have a transparent, fair and robust system of admission based on a school leaving examination which is conducted with unimpeached integrity.**

We welcome the proposal to establish online learning platform SWAYAM for 3000 online courses as this would make quality higher education even more accessible.

In the Health sector, we welcome the proposal to create an additional 5000 PG seats and to strengthen Health Sub Centres. However, we are sceptical about the proposal for structural transformation of Medical Education. The draft

Medical Council Bill proposed by the NITI Aayog has a number of problematic features which diminish the powers of State Governments and also discriminate against a State like Tamil Nadu which is relatively advanced in medical education. Hence, I would urge by the Government of India to take up the structural reforms of the Medical Education sector only after adequate consultation with the State Governments and all stake holders.

The Budget includes several announcements relating to the Affordable Housing sector which we welcome. In the Tamil Nadu Budget for 2016-17 I had announced the establishment of a Shelter Fund to promote affordable housing. The Union Budget's announcements will complement and support Tamil Nadu's initiative very effectively.

Similarly, proposed reforms in the Labour codes should not compromise the existing rights and entitlements of the workers.

We welcome the enhanced allocation for Welfare of Scheduled Castes, Scheduled Tribes and Minorities. I hope that with the substantial enhancement of funds for Scheduled Caste welfare, the long pending arrears for the Post Matric Scholarship scheme for States like Tamil Nadu would be speedily cleared.

We welcome the announcement of the Rail Raksha Kosh (the Railway Safety Fund) with a substantial allocation of Rs.1 lakh crore. In particular, the elimination of all unmanned level crossings in broad gauge by 2020 is a very timely measure. We eagerly await the details of the new Metro Rail Policy and the new Metro Rail Act, and expect that the responsibilities, rights and obligations of the State and Central Governments would be more appropriately balanced under the new policy and Act.

We welcome the enhanced allocation for Bharat Net. Tamil Nadu has already given all necessary clearances to participate in the roll out of the Bharat Net scheme and we await the speedy approval and support of the Government of India for our State led model.

The abolition of the Foreign Investment Promotion Board is a welcome move and would ensure faster clearances of foreign investment projects and would benefit a State like Tamil Nadu which is a favoured destination for foreign investment.

Under the existing statutory framework, spot markets in agricultural commodities are under the control of State Governments. Hence, any proposal to integrate spot markets with commodity futures markets should be done only in close consultation with, and without denigrating the powers of the State Governments.

On the fiscal management issue, we are happy to note that the FRBM Review Committee has submitted a report and recognized the need for greater flexibility and counter cyclicity in fiscal deficit targets. The emphasis on a sustainable debt path is also welcome. However, given that State budgets in the aggregate are about the same size as the Union Budget and the States have expenditure responsibilities for some large sectors like agriculture, education and health at the cutting edge level, the division of the 60 per cent Debt to GDP ratio as 40 per cent for the Centre and 20 per cent for the States does not appear fair. The division should be equal i.e. 30 per cent for the Centre and 30 per cent for the States so that States have adequate fiscal headroom.

The Union Finance Minister had announced that a new Health Protection Scheme would be launched to provide insurance cover for poor families that require hospitalization. We had welcomed this move and requested the Government of India to converge their new scheme with similar schemes that State Governments may already be implementing, like the Chief Minister's Comprehensive Health Insurance scheme in Tamil Nadu. It is disappointing that the Budget 2017-18 has not made any announcement on the implementation and funding of this scheme.

The taxation measures indicated in the Budget, in particular the reduction in the rate of Corporate Income Tax for MSMEs to 25 per cent is a very welcome measure. Tamil Nadu has the largest number of MSMEs in the country and the reduction of tax rate would boost this sector.

The taxation measures on the personal income tax side, however, fall short of the expectations of the salaried middle classes. I also am concerned that despite repeated requests from our Revered Leader Puratchi Thalaivi Amma, the tendency to levy cesses and surcharges on central taxes which are not shareable with the States has not been eschewed. In addition to the cesses and surcharges introduced earlier which are continuing, another cess of 10 per cent on income tax payable by those in the income bracket of Rs.50 lakhs to Rs.1 crore has been introduced. The levy of surcharge is a retrograde measure by which the Centre is trying to avoid sharing its tax proceeds with States. I deprecate this practice.

India is one of the fastest growing large economies in the world. Sustaining growth momentum, while managing myriad fiscal and macro-economic challenges and meeting the considerably heightened expectations of the people of the country was the complex task before the Finance Minister, and this he has accomplished in some measure through his Budget for 2017-18.

The fine print of the budget documents would no doubt reveal further issues, but given the constraints under which the Finance Minister was operating, this Budget does a difficult balancing task. But the people of the State of Tamil Nadu had still higher expectations.

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